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March 3, 2003

Paul Margie,
Legal Advisor to Commissioner Michael Copps,
Federal Communications Commisison,
445 12th St., S.W.,
Washington, DC 20554.

Re: Petitions for Protection from Whipsawing on the
US-Philippines Route (IB Docket No. 03-38)
Ex Parte Presentation
Philippine Long Distance Telephone Company ("PLDT")

Dear Mr. Margie:

At our meeting last Friday, you raised with us an argument made by AT&T that PLDT's termination rates are, according to AT&T, excessive in light of the termination rates charged to AT&T in other countries in the region. We disputed this allegation and you asked us to provide you with additional information supporting our position. This letter responds to that request.

The locations to which AT&T asked the FCC to make reference, Australia, Malaysia, New Zealand, Singapore, Japan, Hong Kong, South Korea, and Taiwan are all far more economically developed than the Philippines.¹ All but two of these locations were classified by the FCC in its Benchmarks Decision as "high income" countries, with the remaining two, South Korea and Malaysia, classified as "upper middle income."² In contrast, the FCC classified the Philippines as a "lower middle income" country.³ Yet, none of the countries referenced by AT&T fall into this category.

¹ See AT&T Reply, IB Docket No. 03-38 (Feb. 27, 2003).

² *In the Matter of International Settlement Rates*, Report and Order, 12 FCC Rcd 19,806, Appendix C (1997).

³ *Id.*

Although PLDT is not privy to the termination rates paid by AT&T to carriers in other lower middle income countries, there is substantial evidence indicating that such rates are higher than the 12 cents per minute rate requested of AT&T by PLDT. This evidence includes the following:

First, Attachment A to this letter shows AT&T's long distance rates for U.S. consumers for calls to the 62 countries classified by the FCC as lower middle income. Of these 62 countries, the rate charged by AT&T for calls to the Philippines is the very lowest. Indeed, for most of the other countries, AT&T's long distance rates are more than twice its rate for the Philippines. PLDT submits that either AT&T's undisclosed termination rates to these countries are substantially higher than its termination rate to the Philippines, or AT&T's long distance rates to U.S. consumers have no correlation with the termination charges that it pays to foreign carriers (even though it is a major cost component), in which case the FCC should have no interest in what those termination rates are.⁴

Second, PLDT has a hub agreement with AT&T, pursuant to which AT&T terminates the traffic of PLDT in various countries. The rates for which AT&T has agreed to terminate PLDT's traffic in other lower middle income countries is generally as high or higher than the 12 cent rate about which AT&T complains. And in virtually every case, it is higher than PLDT's former 8 cent per minute rate. A copy of a table showing the termination rates charged by AT&T to PLDT is being submitted today to the Commission under separate cover with a confidentiality request.

Third, although not all of the termination rates paid by U.S. carriers are publicly available, the Commission does publish average settlement rates in non-ISR and ISP-waived countries. Of the 37 lower middle income countries for which the Commission has published settlement rates, all rates are 12 cents or higher.⁵

Finally, in the Commission's current rulemaking proceeding examining international termination charges and settlement rates, the Commission states that the average charge, worldwide, is 14 cents per minute.⁶ Thus, PLDT's proposed 12 cent per minute rate -- particularly coming from a country in the lower middle income classification -- falls well under world trends, by any fair measure.

⁴ Although there may not be a one-to-one correlation between AT&T's U.S. domestic long distance rates and the termination rates charged to AT&T by foreign carriers, the very premise of the Commission's interest in foreign carrier termination rates ties to how these rates may be reflected in U.S. carriers' charges to U.S. consumers.

⁵ See Consolidated Accounting Rates of the United States, International Bureau (Jan. 6, 2003), available at <http://www.fcc.gov/ib/pd/consolar.xls>.

⁶ *In the Matter of International Settlement Policy Reform, International Settlement Rates*, Notice of Proposed Rulemaking, 17 FCC Rcd 19,954 at ¶18, also cited with favor by AT&T in its Comments in the same proceeding. AT&T Comments at 2 (Jan. 14, 2003).

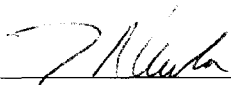
Paul Margie,
March 3, 2003

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Thank you again for the time you spent with us on Friday to discuss this matter.

Respectfully submitted,

PHILIPPINE LONG DISTANCE
TELEPHONE COMPANY

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AT&T'S U.S. DOMESTIC LONG DISTANCE RATES TO LOWER MIDDLE INCOME COUNTRIES¹

Lower Middle Income Country	AT&T U.S. Domestic Long Distance Rate
Algeria	\$ 0.54
Angola	\$ 1.52
Belarus	\$ 0.39
Belize	\$ 0.72
Bolivia	\$ 0.42
Botswana	\$ 0.88
Bulgaria	\$ 0.39
Cape Verde	\$ 0.86
Colombia	\$ 0.31
Costa Rica	\$ 0.30
Croatia	\$ 0.35
Cuba	\$ 0.64
Djibouti	\$ 1.01
Dominica	\$ 0.53
Dominican Republic	\$ 0.31
Ecuador	\$ 0.37
El Salvador	\$ 0.31
Estonia	\$ 0.71
Fiji	\$ 1.05
Grenada	\$ 0.47
Guatemala	\$ 0.31
Indonesia	\$ 0.36
Iran	\$ 0.61
Iraq	\$ 0.98
Jamaica	\$ 0.47
Jordan	\$ 0.61
Kazakhstan	\$ 0.25
Kiribati	\$ 1.40
Korea, DPR	\$ 3.32
Latvia	\$ 0.39
Lebanon	\$ 0.61
Lithuania	\$ 0.39
Macedonia, FYR	\$ 0.58
Maldives	\$ 1.55
Micronesia	\$ 0.81
Moldova	\$ 0.51

¹ http://www.consumer.att.com/global/english/international/int_aisp.html (March 3, 2003).

Morocco	\$ 0.59
Namibia	\$ 0.84
Panama	\$ 0.37
Papua New Guinea	\$ 1.10
Paraguay	\$ 0.44
Peru	\$ 0.37
Philippines	\$ 0.21
Poland	\$ 0.25
Romania	\$ 0.35
Russian Federation	\$ 0.23
Slovak Republic	\$ 0.28
St. Vincent	\$ 0.57
Suriname	\$ 1.29
Swaziland	\$ 0.80
Syria	\$ 0.98
Thailand	\$ 0.27
Tonga	\$ 1.61
Tunisia	\$ 0.54
Turkey	\$ 0.45
Turkmenistan	\$ 0.50
Ukraine	\$ 0.29
Uzbekistan	\$ 0.50
Vanuatu	\$ 2.45
Venezuela	\$ 0.25
West Bank & Gaza	Not listed
Western Samoa	\$ 1.08
Yugoslavia	\$ 0.45